ANHEUSER-BUSCH, INCORPORATED ANNUAL REPORT

1971

DIRECTORS

AUGUST A. BUSCH, JR.
Chairman of the Board and Chief Executive Officer Anheuser-Busch, Incorporated

AUGUST A. BUSCH III
Executive Vice President and General Manager Anheuser-Busch, Incorporated

DAVID R. CALHOUN, JR.
Chairman of the Board St. Louis Union Trust Company

JOHN F. KREY II
President, Krey Packing Company

H. NORRIS LOVE
Consultant

J. W. McAFEE
Chairman of the Board Union Electric Company

R. A. MEYER
President Anheuser-Busch, Incorporated

JAMES B. ORTHWEIN
President and Co-Chief Executive Officer D'Arcy-MacManus-Intermarco, Inc.

FREDERIC M. PEIRCE
Chairman of the Board and Chief Executive Officer General American Life Insurance Company

W. R. PERSONS
Chairman of the Board and Chief Executive Officer Emerson Electric Co.

WALTER C. REISINGER
Vice President—Corporate Relations Anheuser-Busch, Incorporated

FRANK H. SCHWAIGER
Senior Vice President—Brewing Anheuser-Busch, Incorporated

ETHAN A. H. SHEPLEY
Of counsel—Bryan, Cave, McPheeters & McRoberts Attorneys at law

A. VON GONTARD
Vice Chairman of the Board Anheuser-Busch, Incorporated

JOHN L. WILSON
Chairman—Finance Committee of the Board Anheuser-Busch, Incorporated

OFFICERS

AUGUST A. BUSCH, JR.
Chairman of the Board and Chief Executive Officer

R. A. MEYER, *President*

AUGUST A. BUSCH III
Executive Vice President and General Manager

FRANK H. SCHWAIGER
Senior Vice President—Brewing

HENRY N. McCLUNEY
Vice President—Operations

FRANK J. SELLINGER
Vice President—Engineering

JOHN H. PAHLMANN
Group Vice President

GEORGE W. COUCH, JR.
Vice President—Marketing, Brewery Division

OWEN RUSH
Vice President—Industrial Relations

CHARLES S. AULBERT
Vice President—Beer Marketing Operations

RICHARD J. BENDER
Vice President—Corporate Affairs

MELVIN H. FRITZ
Vice President—Purchasing

FRED L. KUHLMANN
Vice President and General Counsel

WALTER C. REISINGER
Vice President—Corporate Relations

THOMAS R. SCANLAN, JR.
Vice President—Industrial Products Division

ANDREW J. STEINHUBL
Vice President—Brewing Operations

JERRY E. RITTER, *Controller*

JOHN L. HAYWARD, *Secretary and Treasurer*

THOMAS J. CARROLL, *Assistant Secretary*

DONALD S. McDONALD, *Assistant Secretary*

R. A. RAWIZZA, *Assistant Controller*

ROY LANPHERE, *Assistant Treasurer*

H. F. SUELLENTROP, *Assistant Treasurer*

STOCK TRANSFER AGENTS

ST. LOUIS UNION TRUST COMPANY
510 Locust Street, St. Louis, Missouri

CHEMICAL BANK
20 Pine Street, New York, New York

STOCK REGISTRARS

MERCANTILE TRUST COMPANY
NATIONAL ASSOCIATION
721 Locust Street, St. Louis, Missouri

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
30 West Broadway, New York, New York

DEBENTURES — TRUSTEES, REGISTRARS AND PAYING AGENTS

MANUFACTURERS HANOVER TRUST COMPANY
40 Wall Street, New York, New York

CHEMICAL BANK
20 Pine Street, New York, New York

THE ANNUAL MEETING

of shareholders of the Company will be held on Wednesday, April 26, 1972, at 10:00 a.m., St. Louis time. A notice of that meeting and proxies on behalf of the management will be sent to the shareholders on or about March 17, 1972.

1971 ANNUAL REPORT TO SHAREHOLDERS OF ANHEUSER-BUSCH, INCORPORATED

CONTENTS

The year at a glance

YEAR ENDED DECEMBER 31	1971	1970
Barrels of beer sold	**24,308,794**	22,201,811
Net sales	**$902,453,000**	$792,777,000
All taxes	**354,358,000**	318,167,000
Per share	**7.89**	7.12
Net income	**71,638,000**	62,549,000
Per share	**1.60**	1.40
Cash dividends	**23,784,000**	18,991,000
Per share	**.53**	.425
Capital expenditures	**73,214,000**	65,069,000
Depreciation	**34,948,000**	33,795,000
FINANCIAL CONDITION AT DECEMBER 31		
Working capital	**87,662,000**	80,430,000
Plant and equipment, net	**453,647,000**	416,660,000
Long-term debt	**116,571,000**	128,080,000
Shareholders equity	**413,974,000**	358,476,000
Per share	**9.20**	8.02
Number of employees	**11,403**	11,291
Number of shareholders	**27,539**	22,103

February 10, 1972

TO THE SHAREHOLDERS
OF ANHEUSER-BUSCH, INCORPORATED:

The year 1971 marked the eighth consecutive year in which Anheuser-Busch achieved record sales and earnings.

Sales for the year 1971 reached $902,453,000 compared with last year's record of $792,777,000, an increase of 14%.

Net income for 1971 was $71,638,000, or $1.60 per share, compared with $62,549,000, or $1.40 per share in 1970, an increase of 14%.

At the meeting of the Board of Directors following the April, 1971, shareholders meeting, Richard A. Meyer was appointed President of the Company, and August A. Busch III was appointed Executive Vice President and General Manager. I was appointed Chairman of the Board and Chief Executive Officer.

Your Management welcomed President Nixon's Economic Stabilization Program because we were deeply concerned about the overall effect of inflation on the total economy of our nation. Anheuser-Busch has pledged to President Nixon its wholehearted support of the anti-inflation program and in good faith has been keeping that pledge because we believe the success of the program is essential to a healthy economy.

In 1971 we enjoyed labor stability at all of our plants. Contracts with unions representing the majority of our employees run through 1972.

In April, 1971, the shareholders approved a two-for-one split of the Company's common stock. All per share statistics in this report have been computed on the appropriate number of shares outstanding after giving effect to the split.

I want to thank all of our officers and employees, as well as the many wholesalers and retailers who handle our products, for their contribution to our success in 1971.

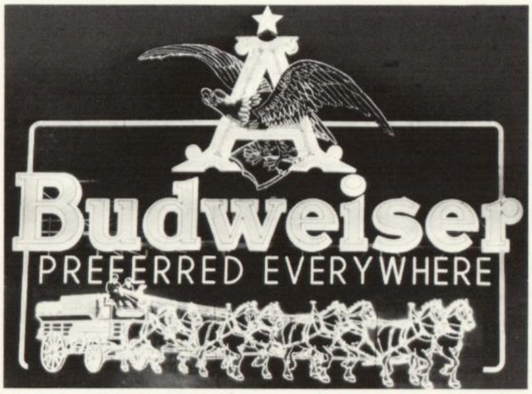
We extend to our shareholders our sincere appreciation for their continued confidence and support. Let me assure you that we will do our best to continue to earn this confidence and support in 1972 and future years.

Sincerely,

August A. Busch, Jr.

August A. Busch, Jr.
Chairman of the Board
and Chief Executive Officer

From 1952 to 1959, the Clydesdales paraded over Times Square in New York City. The neon replica of the famous hitch was seen by millions.



Mare and colt enjoy the quiet pasture at the Anheuser-Busch Clydesdale farm. Through careful breeding practices, champions for future hitches are assured.

THE CLYDESDALES

...the Company's biggest salesmen

International background for the Clydesdales is provided by the United Nations Building in New York. Each year the hitch travels over 40,000 miles from coast to coast and border to border.

Horses have been associated with the brewing industry since its beginning. They supplied the power to get the grain to the brewery and then delivered the finished product.

In the days before refrigeration and pasteurization, it was said that a brewery's local marketing area could be measured by how far the horses and wagon could travel in a day and get back home by nightfall.

Anheuser-Busch used beautiful draft horses to pull its brewery wagons until the time of Prohibition, when the stables were closed.

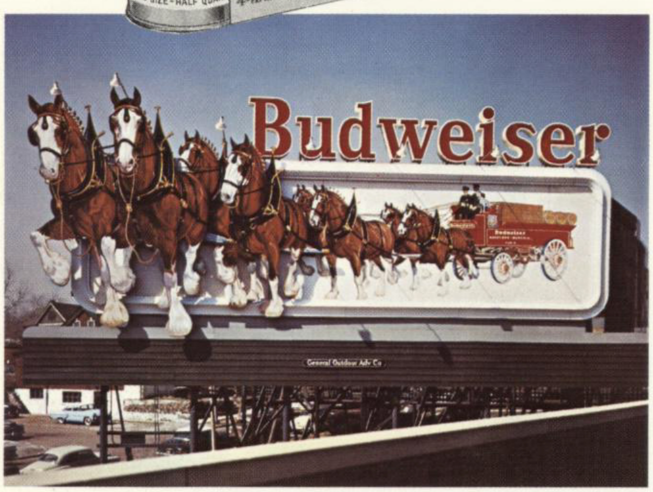
When the repeal of Prohibition appeared certain, August A. Busch, Jr., planned a special way to commemorate Repeal. He secretly bought a team of Clydesdale horses and had them trained to pull a huge brewery wagon.

A pleasant duty for the hitch is to participate in groundbreaking ceremonies for new Anheuser-Busch plants by pulling a golden plow as shown in the upper photo. Below is the famous picture of the hitch and wagon emerging from the main gate at Grant's Farm near St. Louis.

On April 8, 1933, the day after Prohibition was repealed, August, Jr., asked his father to join him on Pestalozzi Street outside the Brewhouse to see his new car. When they reached the street, August, Sr., stopped in his tracks. Instead of the expected automobile, there stood the magnificent Clydesdales with their gleaming leather and brass harness and shining Budweiser wagon.

When beer came back in 1933, the first case of Budweiser was delivered to President Franklin D. Roosevelt at the White House aboard the wagon pulled by the Clydesdales.

One of the first Anheuser-Busch eight-horse Clydesdale hitches also appeared in 1933 in New York City and pulled a beer wagon up Fifth Avenue to deliver a case of Budweiser to Governor Al Smith.



The Clydesdales as a complete hitch and individually have been pictorially displayed in a variety of ways over the years. In the top illustration, they are seen pulling Santa's sled for a holiday advertisement. Next, they are pictured on the side of a multi-can package, followed by a three-dimensional presentation on a billboard.

Below, members of the hitch are focal points on the Marketing Division's 1971 Christmas card.

Since those first appearances, the fame of the Clydesdales has spread across the nation and around the world. They have been seen on the streets of America's cities and towns by millions of people. Additional hundreds of millions of people have enjoyed the Clydesdales through the television coverage of the Tournament of Roses Parade and Macy's Thanksgiving Day Parade.

Movie stars in their own right, the world famous Budweiser Clydesdale 8-horse hitch is currently featured in three movies: MAKING FRIENDS IS OUR BUSINESS, THE BALLAD OF THE BIG ONES, and the recently released THE GENTLE GIANTS. Millions of Clydesdale fans have been thrilled by the sight and sound of these one-ton giants as they thunder across the screen on television, in theatres and at clubs and organizations wherever films are shown as a part of the meeting activity.

Certainly, the hitch plays a very important part in the advertising, merchandising and promotion of Budweiser beer. It can truthfully be said that the two are practically synonymous.

The Anheuser-Busch Clydesdales are probably the most widely traveled horses in the United States. When on the road, they travel as a caravan in three large, specially built vans 40 feet long and 8 feet wide. In the horse vans, all stalls face forward and are arranged so that the horses cannot be thrown off balance. A separate van is used to transport the huge brass-trimmed wagon and the portable stalls and miscellaneous equipment.

Each year the Anheuser-Busch Clydesdales travel over 40,000 miles, and they seem to love traveling because when they hear the harness being packed and other preparations for a journey being made, they show an eagerness to get going.

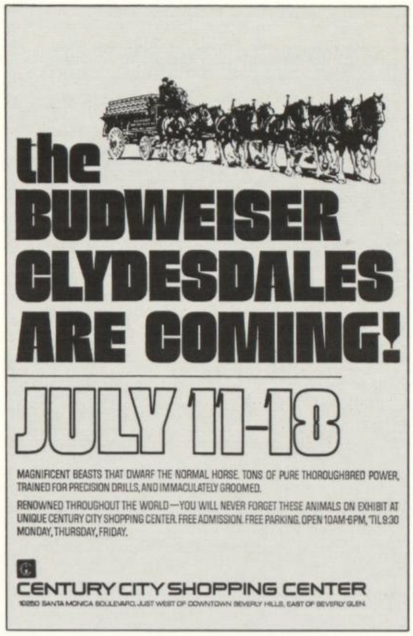
Averaging 2,300 pounds in weight, each Clydesdale stands about six feet tall at the shoulder. The harness is handmade and decorated extensively with silver and brass studs. The complete harness for the hitch costs about $20,000. It is kept in excellent repair and is oiled and polished regularly so that it will remain attractive and wear well.

Ordinary shoes available from standard suppliers will not fit the huge Clydesdale hoofs. Each Clydesdale shoe is made from a piece of steel 22″ x $1\frac{1}{2}$″ x $\frac{1}{2}$″ and weighs $4\frac{3}{4}$ pounds when finished.

For almost 40 years the Budweiser Clydesdales have continued the tradition of the close association between a brewery and horses. As an important part of the history of the brewing industry and a vital part of the continuing charisma of the Clydesdales, Anheuser-Busch is dedicated to the preservation of the breed for the enjoyment of present and future generations of Americans.

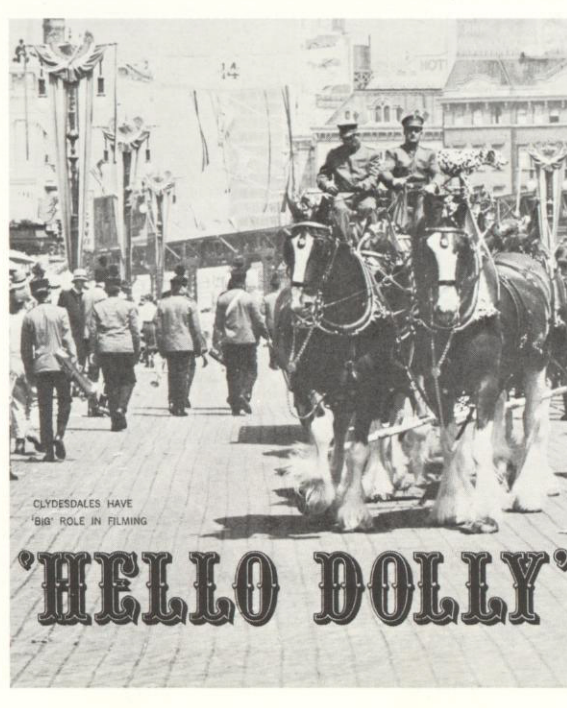
The famous eight-horse hitch and wagon became a registered trademark of Anheuser-Busch, Inc., in August, 1971.

Whenever the Clydesdales are to appear around the country, advertisements such as the one at right appear in local newspapers. Such ads along with other appearance notices usually result in a turnout of thousands of viewers. Below, members of the hitch pose in their stable in St. Louis. This scene will be presented as part of a commercial for the King Of Beers.



Participation in the major holiday parades is always on the Clydesdales' schedule. In the picture immediately below, the hitch is shown in the annual Macy's Thanksgiving Day Parade in New York City, and then the horses are seen pulling the award-winning City of St. Louis entry in the 1972 Tournament of Roses Parade in Pasadena, Calif.

Above, the hitch is shown in the 1949 Presidential Inaugural Parade in Washington, D.C. as part of the Missouri contingent. At right, the Clydesdales prepare to be a part of the famous parade scene for the movie "Hello Dolly."



Review of the year

Beer Division

For the fifteenth consecutive year Anheuser-Busch, Inc., was the brewing industry leader in barrels of beer sold. The lead enjoyed over our nearest competitor rose from 7,073,000 barrels in 1970 to 7,600,000 barrels in 1971.

During 1971, the Company's beers were produced at eight breweries *(see back cover for locations)* strategically located throughout the United States and distributed principally through approximately 950 wholesalers.

Beer sales amounted to 24,308,794 barrels in 1971, an increase of 9.5% over 22,201,811 barrels sold in 1970. The Company's share of the brewing industry sales volume was approximately 19% in 1971 compared with 18% in 1970.

Net sales of the Beer Division were $832,183,000 compared with $736,063,000 in 1970, and represented approximately 93% of total consolidated net sales in both years.

In April, 1971, the Company introduced Budweiser Malt Liquor in 400 major markets. This new malt beverage was so well received that the market was expanded in the fall to include 225 additional market areas.

During 1971, Anheuser-Busch continued its program of constructing new and expanded brewing plants in order to meet the heavy consumer demand for its beer products. In late December, brewing began at the new brewery in Williamsburg, Virginia, and beer will be shipped from Williamsburg in late February, 1972.

Plans to double the capacity of the Columbus, Ohio, brewery from two million to four million barrels were announced in May, 1971. Construction is progressing well and will be completed sometime in 1973.

In the future, the Company plans to continue its program of adding new capacity to meet increasing consumer demand.

The 1972 shipping capacity will be in excess of 27 million barrels of beer.

Industrial Products Division

This division is a major supplier to the baking industry of such quality products as yeast, liquid sweetener, frozen and dried eggs, and other associated bakery items.

The division operates two large yeast plants and a corn refining plant *(see back cover for plant locations)*.

In 1971, for the first time in history, Anheuser-Busch became the largest supplier of bakers yeast in the markets it serves.

Serving a broad spectrum of industries, this division also provides quality corn syrup and starches for numerous food applications, including canned and frozen foods, ice cream and candy. In addition, it produces corn starches and markets dextrines and resins used in the manufacture of paper, corrugated containers and textiles.

In 1971, sales of the Industrial Products Division were approximately 5% higher than in 1970.

Busch Gardens

With the opening of Busch Gardens in Houston, Texas, on May 29, 1971, the Company moved further toward its announced goal of diversifying into the family entertainment business. Busch Gardens in Houston is located adjacent to our Houston brewery, and a tour of the plant and hospitality area is a part of the visitors' itinerary. The theme of the Gardens is Asian in architecture, artifacts and landscaping. Animals indigenous to the Asian continent, including Indian elephants, rhinos, yaks, Bengal tigers, Bactrian camels, and many others, are displayed in simulated natural habitats. Among the entertainment facilities are boat rides, a train ride, and a trained bird show.

The Company took other significant steps in its family entertainment activities in 1971 at Busch Gardens in Los Angeles. In April the Company announced its decision to enlarge the existing Los Angeles Gardens through the construction of a six-million-dollar addition. This new addition, scheduled to open in the summer of 1972, will add a number of exciting new attractions at Busch Gardens in Los Angeles. These new attractions include a 1,600-foot log flume ride, a fleet of self-powered racing boats, a 1,000-seat amphitheater to feature live entertainment and uniquely-trained animal acts, and a huge walk-through, free-flight aviary, 52 feet tall.

Busch Gardens in Tampa continued in 1971 to enlarge its entertainment facilities in line with the Company expansion policy. In July, 1971, the new Trans-Veldt Railway became operational, and has proved to be a popular attraction for visitors. The railway system has two miles of track, two railway stations, and two complete steam-driven trains, each of which carries 400 passengers. Other new facilities at Tampa are under construction including an African Village complex and an additional 1,000-seat amphitheater which will feature trained animal acts and live entertainment. These new attractions are scheduled for completion in the summer of 1972.

There is a general admission charge at each of the Busch Gardens locations.

Busch Properties, Inc.

Busch Properties, Inc., Anheuser-Busch's wholly-

owned real estate development subsidiary, continued its development activities in 1971. At Busch Corporate Center • Columbus, the firm's 155-acre business park in Columbus, Ohio, a 40,000-square-foot office building and two 20,000-square-foot multi-tenant, multi-purpose buildings were completed on schedule. Leasing activity is now underway. In addition, one office building has been constructed and another building is scheduled for construction soon by other companies at Busch Corporate Center • Columbus.

The master plan for the Company's 3600 acres near Williamsburg, Virginia, is approaching completion. In addition to the brewery and a Busch Gardens, the plan includes several hotels, a shopping/entertainment complex, championship golf courses, a marina, and provisions for a variety of other residential, commercial and industrial uses.

St. Louis Cardinals

The baseball Cardinals finished in second place in the Eastern Division of the National League during the 1971 season, a substantial improvement over the fourth-place finish in 1970. The Cardinals' management is confident that the team will be in a challenging position in 1972.

During 1971 the Cardinals' fiscal year was changed from October 31 to December 31 to permit filing of consolidated income tax returns by the parent company. The Cardinals' 1971 loss of $55,000 resulted from two additional months (November-December, 1971) of expense in that year. Without the two additional months of expense, the Cardinals' results would have shown a profit.

The Cardinals' 1971 loss of $55,000 has been included as a separate item in the consolidated financial statements.

Lianco Container Corporation

Lianco Container Corporation is jointly owned by Anheuser-Busch, Inc. (60%) and Libby, McNeill & Libby (40%). Lianco manufactures beer cans and lids and supplies a significant part of the requirements of the St. Louis brewery.

At the present time, Lianco's production capacity is being expanded by 50%. This expansion will be completed by late 1972.

Research

The Corporate Central Research group continued to carry out an aggressive research and development program in support of the Industrial Products Division. Existing product lines for institutional and industrial markets are improved and extended through applied research activities, whereas a balanced level of exploratory research provides the atmosphere for the technological breakthroughs requisite to the development of true "point of difference" products. During 1971, research and development efforts on ecological problems and opportunities were increased to keep pace with the Company's vital posture on ecology.

Ecology

Anheuser-Busch continues to demonstrate leadership in combating the problems of litter and solid waste disposal.

The Company, working with the United States Brewers Association, helped found Keep America Beautiful, Inc. We have continually supported that organization's efforts to solve the litter problem. In addition, the brewing industry, convinced that education can alleviate the litter problem, has launched a nationwide program called "Pitch In." This program will utilize national advertising to emphasize the point that litter is a problem that can be solved through individual and collective effort. Anheuser-Busch will contribute with a significant amount of advertising stressing the "Pitch In" message.

Reclamation programs continue to be a viable part of Anheuser-Busch activity. Through this effort, our wholesalers and corporate branches collected 102 million cans for recycling in the fourteen-month period ended December 31, 1971.

Realizing that litter is but a small part of the larger solid waste problem, Anheuser-Busch conceived of the need for a national cooperative effort to determine ways of maximizing the recycling and reuse of solid waste. Again working through the United States Brewers Association, the Company was instrumental in the formation of the National Center for Resource Recovery, Inc. The Center, which includes representatives from industry, labor, and the general public, is presently working toward the establishment of a national urban recycling network.

The Company has prepared and made available a film entitled *Litter and Solid Waste: An Objective View*. The film and its supporting brochure, *Litter and Solid Waste: Solvable Problems,* emphasize three examples of today's technology effectively at work solving the solid waste disposal problem while achieving the recycling of a broad range of resources.

Management Changes

In addition to the new officer designations mentioned on page 3 of this report, Andrew J. Steinhubl was appointed Vice President, Brewing Operations.

Review of the year—financial

Sales and Earnings

Sales and earnings for 1971 were at an all-time high. The following condensed summary compares 1971 with 1970.

	In Thousands		
	1971	1970	Change
Barrels sold (all beers)	24,309	22,202	2,107
Net sales	$902,453	$792,777	$109,676
Cost of doing business	766,403	672,001	94,402
Net income before taxes	136,050	120,776	15,274
Tax provision	64,412	58,227	6,185
Net income	71,638	62,549	9,089
Per share	1.60	1.40	.20

The summary shown above reflects a 14% increase in net income per share for 1971. The five-year compounded growth rate of the Company's net income per share is 16%.

The return on average shareholders equity for the year was 19%. The ratio of earnings to net sales was 8% in both 1971 and 1970.

Dividends

Cash dividends of $23,784,000, or $.53 per share, were paid in 1971 compared with $18,991,000, or $.425 per share last year. The common stock dividend was increased from $.50 to $.56 per share on an annual basis effective with the quarterly payment in September, 1971. The Company has paid cash dividends in each of the past 39 years, plus stock dividends in the years 1953, 1954 and 1966.

Working Capital

Working capital amounted to $87,662,000 at December 31, 1971, an increase of $7,232,000 over the working capital in 1970 of $80,430,000. The working capital ratio was 2.2 to 1 at December 31, 1971, and 2.0 to 1 at December 31, 1970. Cash and marketable securities totaled $68,900,000 at December 31, 1971.

A comparative statement of changes in financial position appears on page 17 of this report.

Capital Expenditures

Capital expenditures amounted to $73,214,000 in 1971 and $366,551,000 over the past five years. The major expenditures in 1971 were for the new brewery at Williamsburg, Virginia, and the brewery expansion at Columbus, Ohio.

The graph on the opposite page shows capital expenditures and depreciation expense for the past five years.

Taxes

Total taxes applicable to 1971 operations (not including the many hidden taxes included in materials and services purchased) amounted to $354,358,000. Total taxes for the last five years are shown in the graph on the opposite page.

Shareholders

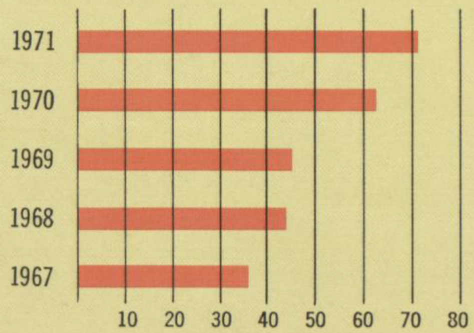
At the close of the year, shareholders numbered 27,539 compared with 22,103 at the end of 1970.

	Holders Of Record	Shares Held
Men	7,316	5,859,087
Women	6,928	6,468,917
Joint names	8,470	2,335,897
Fiduciaries	3,030	7,935,749
Institutions, foundations, brokers, nominees and others	1,795	22,376,346
Total	27,539	44,975,996

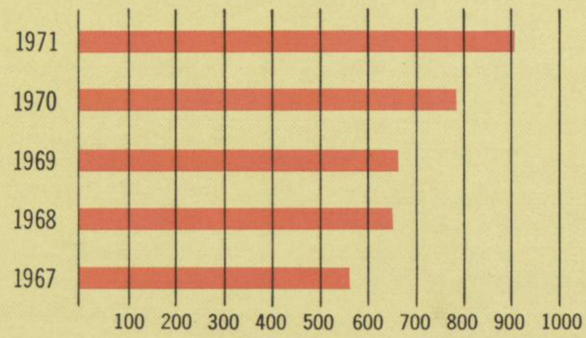
Employee Benefits

At December 31, 1971, employment was 11,403. Salaries and wages to officers and employees amounted to $151,499,000. Pension, life insurance and welfare benefits aggregated $19,155,000; payroll taxes totaled $5,542,000.

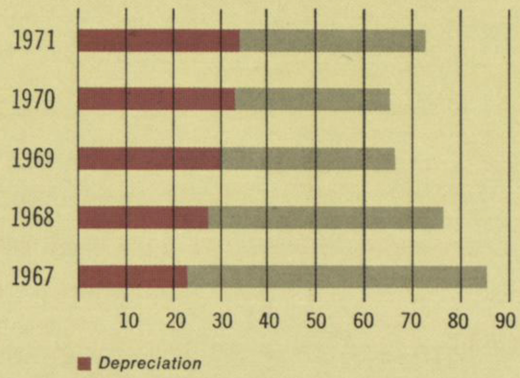
NET INCOME *(millions of dollars)*



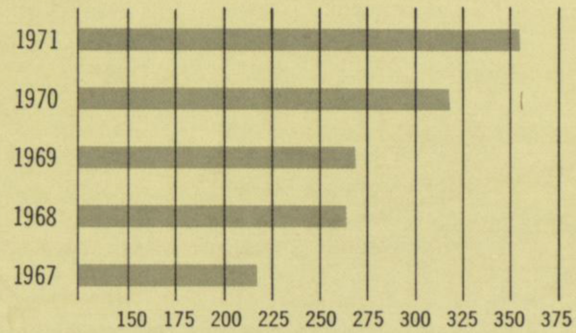
NET SALES *(millions of dollars)*



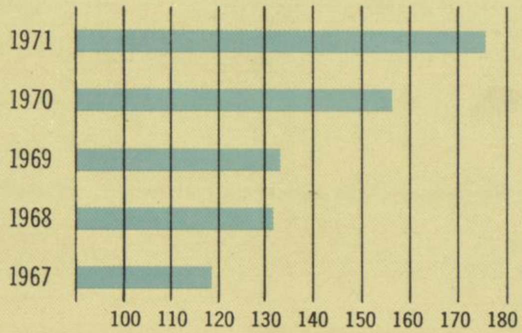
CAPITAL ADDITIONS *(millions of dollars)*



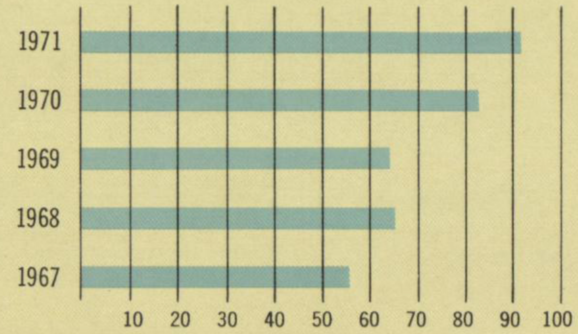
TOTAL TAXES PAID *(millions of dollars)*



TOTAL PAYROLL COST *(millions of dollars)*



AMOUNT PROVIDED FOR EXPANSION
Retained Earnings plus non-cash charges against income



Summary of accounting principles and policies

This summary of accounting principles and policies of Anheuser-Busch, Inc., and its consolidated subsidiaries is presented to assist in evaluating the Company's financial statements included in this report. The Company has consistently followed these principles and policies in all material respects.

Principles of Consolidation

The consolidated financial statements include the Company and all its subsidiaries. St. Louis National Baseball Club, Inc., and certain other subsidiaries which are not an integral part of the Company's operations are included on an equity basis.

Sales and Accounts Receivable

Sales and income are recognized at the time the product is shipped and accounts receivable are recorded at that time.

Inventories and Production Costs

Inventories of raw materials and supplies are valued at the lower of cost or market, cost being determined under the last-in, first-out and average cost methods. Approximately one-half of total inventories (principally brewing raw materials) are valued under the last-in, first-out method. Work in process and finished goods inventories are valued at the lower of cost or market of raw materials and supplies plus production costs, not in excess of market.

Plant and Equipment

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The Company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost of such equipment over its useful life. Depreciation is computed principally on the sum-of-the-years-digits method for property acquired after December 31, 1953, and on the straight-line method for property acquired prior to that date.

A portion of the land held by the Company is for investment purposes and is not an integral part of the Company's primary operations. This land has been classified in the financial statements as investment properties.

Income Taxes

The provision for income taxes is based on elements of income and expense as reported in the Statement of Income. The Company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable, the primary item being the calculation of depreciation for tax purposes on the

Independent accountants opinion

basis of shorter lives permitted by the Treasury Department. The resulting tax benefit has been deferred and will be recognized in the provision for income taxes at such time as depreciation reported in the Statement of Income exceeds that taken for income tax purposes.

The Company follows the practice of adding the investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets are placed in service. Accordingly, benefits realized from the investment tax credit have been deferred and will be recognized as reductions in the provisions for income taxes in the appropriate years.

Expenditures Which Provide Possible Future Benefits

Plant start-up, research and development, advertising and promotional costs are charged against earnings in the year in which such costs are incurred, since it is not practicable to determine the amount of, or duration of, future benefit.

Net Income Per Share of Common Stock

Net income per share of common stock is based on the average number of shares of common stock outstanding during the respective years, adjusted for stock splits and stock dividends. Shares issuable upon the exercise of stock options are excluded from the average number of shares for the computation of net income per share since their effect is not significant.

To the Shareholders and Board of Directors of Anheuser-Busch, Incorporated

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of Anheuser-Busch, Incorporated and its subsidiaries at December 31, 1971 and 1970, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

St. Louis, Missouri
February 10, 1972

Consolidated balance sheet

ASSETS	December 31, 1971	December 31, 1970
Current Assets:		
Cash (including certificates of deposit of $30,669,000 in 1971 and $29,335,000 in 1970)	**$ 41,466,000**	$ 35,663,000
Marketable securities (short-term), at cost which approximates market	**27,434,000**	25,101,000
Accounts and notes receivable, less allowance for doubtful accounts of $850,000 in 1971 and $550,000 in 1970	**33,717,000**	31,696,000
Inventories, at lower of cost or market, cost being determined under the last-in, first-out method for approximately 55% of total inventories in 1971 —		
Finished goods	**5,868,000**	6,545,000
Work in process	**16,110,000**	15,364,000
Raw materials and supplies	**38,065,000**	44,087,000
Total current assets	**162,660,000**	158,456,000
Investments and Other Assets:		
Investments in and advances to unconsolidated subsidiaries (Note 1) —		
St. Louis National Baseball Club, Inc.	**6,264,000**	6,319,000
Other	**11,028,000**	4,748,000
Investment properties	**11,153,000**	10,627,000
Deferred charges and other non-current assets	**9,170,000**	8,609,000
	37,615,000	30,303,000
Plant and Equipment, at cost:		
Land	**16,334,000**	14,950,000
Buildings	**265,366,000**	233,981,000
Machinery and equipment	**402,751,000**	365,267,000
Construction in progress	**45,207,000**	48,507,000
Other real estate	**2,270,000**	2,375,000
	731,928,000	665,080,000
Less accumulated depreciation	**278,281,000**	248,420,000
	453,647,000	416,660,000
	$653,922,000	$605,419,000

LIABILITIES and SHAREHOLDERS EQUITY	December 31, 1971	December 31, 1970
Current Liabilities:		
Accounts payable	**$ 29,144,000**	$ 33,007,000
Accrued salaries and wages	**7,926,000**	6,975,000
Accrued taxes, other than income taxes	**23,579,000**	13,976,000
Estimated federal and state income taxes	**9,360,000**	16,653,000
Other current liabilities	**4,989,000**	7,415,000
Total current liabilities	**74,998,000**	78,026,000
Long-Term Debt:		
4¾% notes payable maturing 1973 to 1976	**1,004,000**	1,292,000
3⅜% debentures maturing 1973 to 1977, less $3,497,000 in treasury in 1971 and $3,125,000 in 1970	**3,938,000**	5,800,000
4½% debentures maturing 1973 to 1989, less $5,281,000 in treasury in 1971 and $2,992,000 in 1970	**27,119,000**	31,308,000
5.45% debentures maturing 1973 to 1991, less $5,540,000 in treasury in 1971 and $3,120,000 in 1970	**35,060,000**	39,680,000
6% debentures maturing 1975 to 1992, less $550,000 in treasury in 1971	**49,450,000**	50,000,000
	116,571,000	128,080,000
Accumulated Deferred Income Taxes	**34,103,000**	27,274,000
Accumulated Deferred Investment Tax Credit Being Amortized	**14,276,000**	13,563,000
Shareholders Equity (Notes 2 and 3):		
Common stock, $1 par value, authorized 60,000,000 shares; issued 45,516,384 shares	**45,516,000**	22,625,000
Capital in excess of par value (principally arising from stock dividends)	**55,977,000**	71,224,000
Retained earnings	**315,693,000**	267,839,000
	417,186,000	361,688,000
Less cost of 540,388 shares of treasury stock	**3,212,000**	3,212,000
	413,974,000	358,476,000
	$653,922,000	$605,419,000

The above statement should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 18 and 19 of this report

Consolidated statement of income and retained earnings

	1971	1970
Sales	**$1,173,476,000**	$1,036,272,000
Less federal and state beer taxes	**271,023,000**	243,495,000
	902,453,000	792,777,000
Costs and Expenses (Notes 4 and 5):		
Cost of products sold	**658,886,000**	579,372,000
Marketing, administrative and general expenses	**108,087,000**	92,660,000
	766,973,000	672,032,000
	135,480,000	120,745,000
Other Income and Expenses:		
Interest income	**3,102,000**	3,715,000
Interest expense	**(6,597,000)**	(7,104,000)
Net income (loss) St. Louis National Baseball Club, Inc.	**(55,000)**	12,000
Purchase discounts, other income and expenses, net	**4,120,000**	3,408,000
Income before income taxes	**136,050,000**	120,776,000
Provision for Income Taxes (Note 6):		
Current	**56,870,000**	53,179,000
Deferred	**7,542,000**	5,048,000
	64,412,000	58,227,000
Net income (per share: 1971—$1.60; 1970—$1.40)	**71,638,000**	62,549,000
Retained earnings at beginning of year	**267,839,000**	224,281,000
	339,477,000	286,830,000
Cash dividends, $.53 per share in 1971 and $.425 per share in 1970	**23,784,000**	18,991,000
Retained earnings at end of year	**$ 315,693,000**	$ 267,839,000

The above statement should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 18 and 19 of this report

Consolidated statement of changes in financial position

	1971	1970
Financial resources were provided by:		
Operations—		
Net income for the year	**$ 71,638,000**	$ 62,549,000
Charges to income not involving working capital—		
Depreciation	**34,948,000**	33,795,000
Deferred income taxes	**6,829,000**	4,062,000
Deferred investment tax credit	**713,000**	986,000
Other, net	**804,000**	189,000
Working capital provided by operations	**114,932,000**	101,581,000
Sale of common stock under option plans	**3,763,000**	797,000
Fair market value of common stock issued in exchange for real estate	**3,881,000**	—
	122,576,000	102,378,000
Financial resources were used for:		
Capital expenditures	**73,214,000**	65,069,000
Investment properties	**2,208,000**	8,348,000
Cash dividends paid	**23,784,000**	18,991,000
Reduction in long-term debt	**11,509,000**	6,845,000
Increased investment in unconsolidated subsidiaries, excluding transfer of land in the amount of $1,689,000 and $2,309,000, respectively	**4,536,000**	857,000
Other, net	**93,000**	(1,212,000)
	115,344,000	98,898,000
Increase in working capital	**$ 7,232,000**	$ 3,480,000

ANALYSIS OF CHANGES IN WORKING CAPITAL

	1971	1970
Increase (decrease) in current assets:		
Cash	**$ 5,803,000**	$ 25,633,000
Marketable securities	**2,333,000**	(9,728,000)
Accounts and notes receivable	**2,021,000**	(8,082,000)
Inventories	**(5,953,000)**	8,989,000
	4,204,000	16,812,000
Decrease (increase) in current liabilities:		
Accounts payable	**3,863,000**	(5,754,000)
Accrued salaries and wages	**(951,000)**	(979,000)
Accrued taxes, other than income taxes	**(9,603,000)**	266,000
Estimated federal and state income taxes	**7,293,000**	(4,653,000)
Other current liabilities	**2,426,000**	(2,212,000)
	3,028,000	(13,332,000)
Increase in working capital	**$ 7,232,000**	$ 3,480,000

Notes to consolidated financial statements

NOTE 1:

ACCOUNTING PRINCIPLES AND POLICIES

Certain information relative to accounting policies is presented on page 12 of this report.

NOTE 2:

CHANGES IN CAPITAL

On April 28, 1971, the shareholders increased the authorized common stock from 30,000,000 shares to 60,000,000 shares and approved a two-for-one split of the Company's common stock in the form of a stock dividend. Net income and dividends per share, as well as the following data relating to stock options, have been adjusted to reflect the stock split.

On May 14, 1971, the Company issued 78,000 shares of common stock in exchange for seven separate parcels of real estate in California. The most valuable parcel of real estate acquired was adjacent to the Los Angeles brewery.

Under a stock option plan adopted by the shareholders in 1967, 1,902,076 shares of common stock were reserved at December 31, 1971, for issuance to officers and key employees. Options granted under this plan expire in 1972 and 1973, and the option price is 100% of fair market value of the shares at date granted. At December 31, 1971, options covering 104,088 shares were outstanding and exercisable, and range in price from $20.38 to $34.06 per share. During 1971, options covering 174,776 shares were exercised at prices ranging from $20.38 to $34.06 per share; and during 1970, options covering 33,660 shares were exercised at a price of $20.38 per share. Options covering 8,000 shares and 4,004 shares were terminated in 1971 and 1970, respectively.

All options outstanding under the 1955 stock option plan (which has been terminated and under which no further options may be granted) were exercised in 1971. During 1971 and 1970, options covering 12,260 shares and 18,200 shares, respectively, were exercised at a price of $6.17 per share.

An analysis of changes in common stock and capital in excess of par value for the two years ended December 31, 1971, follows:

	Common Stock		Capital in Excess of Par Value
	Shares	Amount	
Balance, December 31, 1969	22,599,744	$22,600,000	$ 70,452,000
Stock options exercised—1970	25,930	25,000	772,000
Balance, December 31, 1970	22,625,674	22,625,000	71,224,000
2-for-1 stock split in form of a dividend	22,625,674	22,626,000	[22,626,000]
Shares issued in real estate acquisition	78,000	78,000	3,803,000
Stock options exercised—1971	187,036	187,000	3,576,000
Balance, December 31, 1971	45,516,384	$45,516,000	$ 55,977,000

NOTE 3:

RETAINED EARNINGS RESTRICTION

The indentures under which the Company's long-term debt is issued contain provisions which limit the amount of retained earnings available for cash dividends. Under the most restrictive of these provisions, retained earnings at December 31, 1971, were restricted to the extent of $59,080,000 against the payment of cash dividends.

NOTE 4:

PENSION PLANS

The Company has several pension plans covering substantially all of its employees. The total pension expense was $11,861,000 in 1971 and $9,399,000 in 1970. Salaried employees are covered under a trusteed pension plan with unfunded prior service cost amounting to $5,900,000 at December 31, 1971. Pension plans have been adopted for hourly paid employees under agreements with the unions representing such employees. Obligations for contributions under these plans are based on a defined contribution per employee in accordance with the various labor agree-

ments. The Company follows the policy of funding all pension costs accrued.

NOTE 5:

DEPRECIATION

The provision for depreciation amounted to $34,948,000 in 1971 and $33,795,000 in 1970.

NOTE 6:

INCOME TAXES

The provision for income taxes for the years ended December 31, 1971, and 1970, includes the following:

	1971	1970
Current tax provision:		
Federal income taxes	$53,289,000	$50,856,000
Other income taxes	3,581,000	2,323,000
	56,870,000	53,179,000
Deferred tax provision:		
Investment tax credit—		
Reduction in current taxes payable	2,377,000	2,541,000
Less amortization of deferred investment tax credit	[1,664,000]	[1,555,000]
Charge equivalent to reduction in taxes due to investment tax credit	713,000	986,000
Deferred income taxes, primarily from the calculation of depreciation for tax purposes on the basis of guideline and class life rates permitted by the Treasury Department	6,829,000	4,062,000
	7,542,000	5,048,000
	$64,412,000	$58,227,000

The Internal Revenue Service has examined and cleared federal income tax returns of the Company for years through 1967.

NOTE 7:

COMMITMENTS AND CONTINGENCIES

In connection with the plant expansion and improvement program, the Company has commitments for capital expenditures totaling about $60,000,000 at December 31, 1971.

Under an agreement with the Company's can manufacturing facility, Lianco Container Corporation, the Company is obligated as a guarantor, to the extent of 60%, for the payment of principal and interest on bank loans incurred by Lianco amounting to $3,750,000 at December 31, 1971.

In May, 1968, Beverage Distributors, Inc. (a former wholesaler of the Company whose relationship as a wholesaler had previously been terminated by the Company), filed suit against the Company in the United States District Court for the Northern District of California, alleging violations by the Company of Sections 1 and 2 of the Sherman Act, and seeking a permanent injunction against the Company from engaging in certain alleged illegal acts and treble damages based upon alleged loss of net profits. In July of 1971 Pearl Brewing Company and 7 of its distributors filed suit against the Company and Jos. Schlitz Brewing Company in the United States District Court for the Southern District of Texas, Houston Division, alleging violations by the Company of Sections 1 and 2 of the Sherman Act and Section 2a of the Clayton Act, as amended, and seeking temporary and permanent injunctions against the Company from engaging in certain alleged illegal acts and treble damages based on alleged loss of profits. On February 9, 1972, the Federal District Court denied the plantiffs' request for a preliminary injunction and also denied their petition for a summary judgment. The case is still to be tried on the merits. The Company was defendant in certain other lawsuits at December 31, 1971, the ultimate outcome of which cannot be determined at this time. The Company's liability, if any, under any pending litigation would not materially affect its financial condition or operations.

Ten year financial summary *(Thousands)*

	1971	1970
SALES AND EARNINGS		
Barrels sold	**24,309**	22,202
Net sales	**$902,453**	$792,777
Depreciation	**34,948**	33,795
Direct payroll	**151,499**	135,997
Income before income taxes	**136,050**	120,776
Net income	**71,638**	62,549
Net income per share	**1.60**	1.40
DIVIDENDS		
Total cash dividends	**23,784**	18,991
Cash dividends per share	**.53**	.425
BALANCE SHEET INFORMATION		
Working capital	**87,662**	80,430
Plant and equipment, net	**453,647**	416,660
Capital expenditures	**73,214**	65,069
Long-term debt	**116,571**	128,080
Deferred income taxes	**34,103**	27,274
Deferred investment tax credit	**14,276**	13,563
Shareholders equity	**413,974**	358,476

Per share statistics have been adjusted to give effect to the two-for-one stock split and 10% stock dividend in 1965 and the two-for-one stock splits in 1968 and 1971.

Restated for years prior to 1967 to include data for companies acquired in 1967 on a pooling of interests basis and the net income of St. Louis National Baseball Club, Inc.

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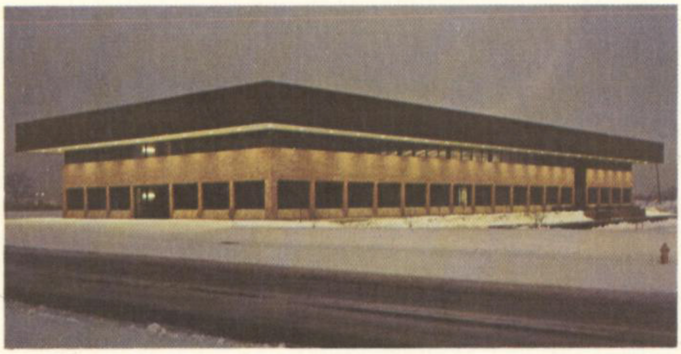
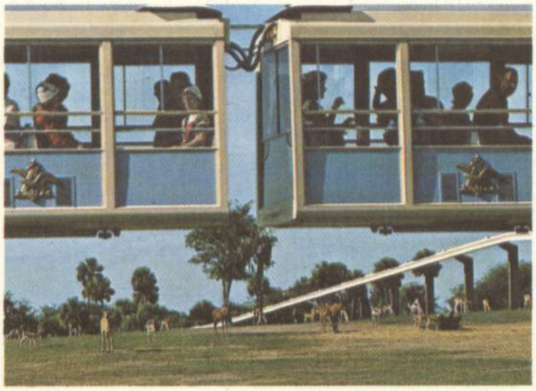
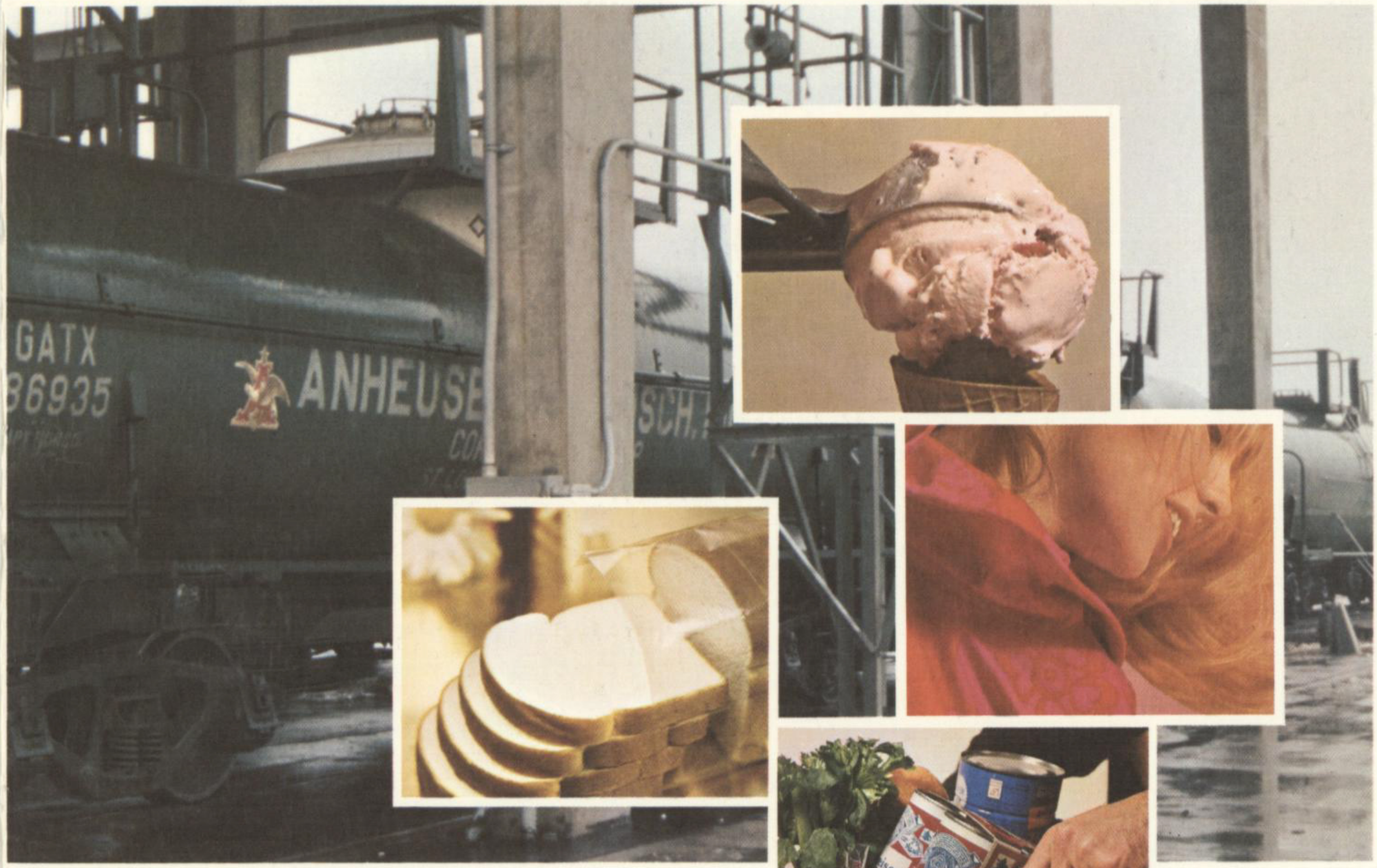


The first office building in Busch Corporate Center•Columbus, shown above, has been completed and the first tenant has moved in. Two shell multi-purpose buildings, one of which is partially occupied, have been built. Busch Properties, Inc., a wholly-owned subsidiary of Anheuser-Busch, directs all of the Company's real estate development activities.



On the monorail at Busch Gardens-Tampa, people travel through a 280-acre area that simulates the African Veldt, complete with exotic animals that visitors can closely observe. The Tampa Gardens represent the Company's first thrust into the family entertainment business, and the formula has been extended to the Busch Gardens at Los Angeles and Houston.

The St. Louis Cardinals attracted 1,604,671 fans to their home games during the 1971 baseball season. One of the players they came to see was Joe Torre, Cardinal third baseman and the National League's Most Valuable Player for the year.



The Anheuser-Busch Industrial Products Division . . . a growing, diversified supplier of natural and synthetic raw materials . . . serving industries that serve you.

1969	1968	1967	1966	1965	1964	1963	1962
18,712	18,393	15,535	13,575	11,841	10,370	9,397	9,035
$666,609	$652,707	$554,880	$485,063	$427,698	$380,711	$347,414	$330,942
30,063	27,578	23,524	18,955	16,102	14,805	13,461	12,500
116,577	116,516	106,260	93,895	85,809	78,326	74,725	71,950
92,938	92,661	67,150	63,487	51,158	40,523	32,872	35,582
45,311	44,634	36,195	33,627	26,732	20,342	15,987	17,185
1.01	1.00	.82	.76	.61	.46	.36	.39
17,843	16,117	13,146	10,806	9,491	8,050	7,851	7,359
.40	.36	.30	.25	.22	.18	.18	.17
76,950	89,829	104,252	85,989	81,926	95,436	54,757	49,938
387,422	351,537	306,476	244,883	174,902	144,368	133,544	131,970
66,396	76,457	85,415	89,671	47,953	25,731	15,476	25,094
134,925	142,720	147,898	99,293	53,497	55,760	18,049	19,584
23,212	18,149	14,191	9,149	6,604	3,575	50	25
12,577	10,790	8,823	4,356	2,447	2,026	1,540	263
314,121	285,318	255,359	231,438	207,376	191,363	179,246	171,247

ANHEUSER-BUSCH, INCORPORATED
721 Pestalozzi Street, St. Louis, Missouri 63118

Brewery Plants:
ST. LOUIS, NEWARK, LOS ANGELES, TAMPA, HOUSTON, COLUMBUS, JACKSONVILLE, MERRIMACK and WILLIAMSBURG

Corn Refining Plant:
LAFAYETTE, INDIANA

Yeast Plants:
ST. LOUIS and
OLD BRIDGE, NEW JERSEY